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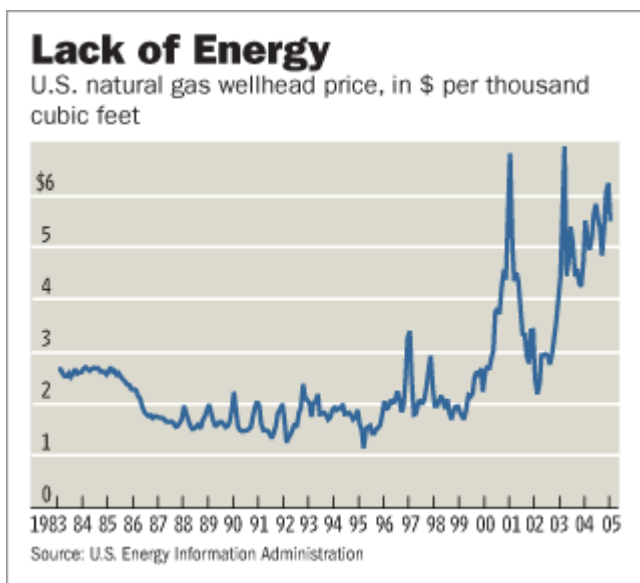
Unnatural Gas Prices

May 3, 2005

Americans are angry about high energy prices, so it's the right moment to focus on why those prices are often higher than they have to be. Consider the political campaign against natural gas, which was once plentiful but is now in increasingly short supply because of restrictions on its production and delivery.

There was time, not long ago, when natural gas was the most politically popular fuel around because it burns more cleanly than oil or coal. Pollution-control rules in the 1980s and 1990s forced many utilities to make the switch, so that today nearly all new power plants in the U.S. use natural gas. The fuel's use has grown by 40% since 1986 and accounts for nearly 25% of all U.S. energy. Demand is set to soar another 40% by 2025.

Yet supply has not been able to keep up with this demand. Since 1996, natural gas production has grown by less than 1% a year as the most accessible U.S. gas fields are tapped out. Gas prices have reached as high as \$7 per million cubic feet, or triple the average of the past decade, slamming both home consumers and businesses.




Employment in the chemical and plastic industries has fallen by 12% since natural gas prices started rising in 2000, while at least 20 fertilizer plants have closed or gone idle. This has all had a damaging knock-on effect on farmers and manufacturers. And it explains why Federal Reserve Chairman Alan Greenspan, whose job is to worry about money more than energy, has repeatedly told Congress that natural-gas bottlenecks endanger the economic expansion.

The main political bottleneck is that the professional green lobby has turned hostile to natural gas. The Sierra Club and the Nader retinue have successfully pushed moratoriums for most new offshore drilling of the fuel,

have fought to keep the most gas-rich federal lands off-limits to exploration, and have used lawsuits to tie up those pieces that are accessible. According to the American Public Gas Association, some 213 trillion cubic feet of natural gas is basically off-limits to production. That's

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a 10-year supply at current demand.

The enviros are also blocking an even quicker path to lower prices: importing more liquefied natural gas. Currently, less than 1% of gas consumed by the U.S. is LNG, in part because the U.S. has only four port facilities equipped to take it ashore. But many countries are eager to export LNG, and at prices significantly lower than those domestically.

The Federal Energy Regulatory Commission (FERC) has moved quickly to authorize new LNG ports, as the Natural Gas Act of 1978 allows it to do. But greens are trying to block many of the 32 proposed facilities by hyping safety risks, arguing that LNG barges and ports could be blown up by terrorists. No energy source is risk-free, but LNG is no more dangerous than many existing chemical or gas plants. It is carried in ships with double hulls and stored in double-walled, insulated tanks at monitored facilities. LNG isn't explosive in its liquid state, and as a gas it is only flammable in a narrow range of concentrations in the air.

Nonetheless, prodded by these fears and by environmentalists, the California Public Utility Commission has sued over FERC's right to authorize a proposed LNG terminal in the Port of Long Beach. The Sierra Club staged protests last month in New Orleans condemning proposed terminals on the Gulf Coast, and it has also fought LNG facilities in Maine and northern California. The energy bill that recently passed the House addresses some of the legal questions, more clearly spelling out FERC's power to authorize terminals.

The larger political problem here is that the public hasn't been told about the connection between high prices and political opposition to energy production. President Bush used his press conference again last week to push the "energy independence" argument, which does well in opinion polls but is a pipe dream in the real world. Short of a breakthrough in hydrogen technology, we are fated to import large amounts of energy. The real issue is whether we maintain enough energy production, and import capacity, to allow adequate supplies and reasonable prices.

Someone also has to call out environmentalists on their hostility to all fossil fuels, or for that matter all energy production that isn't still a technological fantasy. They once wanted natural gas to replace coal, but now they want wind power to replace natural gas, or at least until the windmills start killing birds and bats and mar the view off Nantucket. And don't even mention nuclear power, which remains taboo though it doesn't emit the CO₂ that enviros insist is ruining the planet.

All Americans are paying for this anti-energy nonsense, in higher heating bills and fewer jobs. The U.S. has the means to extract or import fuels in environmentally sound and cost-efficient ways. Someone in public life should start telling Americans who is raising their prices.

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